



**THABA CHWEU LOCAL MUNICIPALITY
MEDIUM TERM REVENUE AND EXPENDITURE
FRAMEWORK 2017/18 TO 2019/20**

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Abbreviations and Acronyms

CFO Chief Financial Officer
MM Municipal Manager
CPI Consumer Price Index
CRRF Capital Replacement Reserve Fund
DBSA Development Bank of Southern Africa
DoRB Division of Revenue Bill
DWA Department of Water
Affairs EE Employment Equity
EM Executive Mayor
FBS Free basic services
GFS Government Financial Statistics
GRAP General Recognised Accounting
Practice HR Human Resources
IT Information
Technology kℓ kilolitre
km kilometre
KPA Key Performance Area
KPI Key Performance Indicator
kWh kilowatt
ℓ litre
LED Local Economic Development
MFMA Municipal Financial Management Act
MIG Municipal Infrastructure Grant
MWIG Municipal Water Infrastructure Grant
MMC Member of Mayoral Committee
MPRA Municipal Properties Rates Act
MSA Municipal Systems Act
MDRG Municipal Disaster Recovery Grant
MTREF Medium-term Revenue and Expenditure Framework
NERSA National Electricity Regulator South Africa
PMS Performance Management System
PPE Property Plant and Equipment
PPP Public Private Partnership
PTIS Public Transport Infrastructure System
SALGA South African Local Government Association
SDBIP Service Delivery Budget Implementation Plan
SMME Small Micro and Medium Enterprises



PART 1 – ANNUAL BUDGET



1.2 ITEM

SUPPLEMENTARY ITEM

A58/2017

IDP AND MEDIUM TERM REVENUE & EXPENDITURE FRAMEWORK FOR THE PERIOD 2017/2018; 2018/2019; 2019/2020 (FINAL ANNUAL BUDGET)

Council Meeting

:

31 May 2017

REPORT OF THE ACTING MUNICIPAL MANAGER

1. PURPOSE

The purpose of the report is to table the Final Integrated Development Plan, Final Annual Budget, tariffs, Budget related policies and the organogram for 2017/18 – 2019/20 Medium Term Revenue and Expenditure Framework.

2. BACKGROUND

Section 25 (1) of the Municipal Systems Act (MSA) 2000 as amended prescribes that each municipal council must, within a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality, Section 2 (1) (a) (i) of the Municipal Planning and Performance Regulation of 2001 states that the IDP must identify an organogram required to implement the IDP and section 8 of the same regulation requires that a performance management system be approved before or at the same time of the IDP.

Further in terms Section 16, 24 and 53 of the Local Government: Municipal Finance Management Act (MFMA), No. 56 of 2003 read together with Section 34 of the Municipal Systems Act (MSA) 2000 as amended prescribes that a municipal Council must approve its annual budget, tariffs and Budget related policies by council resolution annually.

3. MOTIVATION

To inform the honorable executive mayor, speaker, mayoral committee and ordinary council members of the new Integrated Development Plan 2017 -2022 and the Medium Term Revenue and Expenditure Framework for the period 2017/18 – 2019/20.

4. STAKE HOLDERS CONSULTED

National Treasury
Mpumalanga Department of Finance (Provincial Treasury)
Mpumalanga Department of Co-operative Governance (Cogta)
Ehlanzeni District Municipality
National Energy Regulator of South Africa (NERSA)

Local stakeholders (Business Chambers, NGOs, General Public and other civic organisation)

5. HUMAN RESOURCE IMPLICATIONS

The following critical positions have been funded:

POST LEVEL 8X10	BY LAWS OFFICER
POST LEVEL 1	BY LAWS MANAGER
POST LEVEL 1	SECURITY MANAGER
POST LEVEL 1	PMS MANAGER
POST LEVEL 3	MPAC RESEACHER
POST LEVEL 0	DEPUTY DIR COMM

6. LEGAL IMPLICATIONS

In terms of the MFMA/MSA

7. FINANCIAL IMPLICATION

MTREF 2017/2018; 2018/2019; 2019/2020

DESCRIPTION	BUDGET 2017/2018	BUDGET 2018/2019	BUDGET 2019/20
TOTAL REVENUE	R 655 811 262.00	R 683 146 391.00	R 745 134 356.00
TOTAL EXPENDITURE	R 675 755 620.00	R 699 690 685.00	R 749 553 665.00
SURPLUS(DEFICIT)	(R 19 944 357.00)	(R 16 544 294.00)	(R 4 419 309.00)

That council takes note of the Deficit of R19 944 357.00 for the 2017/18 financial year

That council takes note of the Deficit of R16 544 294.00 for the 2018/19 financial year

That council takes note of the Deficit of R 4 419 309.00 for the 2019/20 financial year

8. POLICY COMPLIANCE

In terms of the Municipal Finance Management Act

In terms of Municipal Systems Act

Municipal Planning and Performance regulation (MPPR) of 2001

9. LEGISLATIVE REQUIREMENTS

MFMA section 16, 24 & 53

MSA section 25 & 34

RECOMMENDATIONS OF THE ACTING MUNICIPAL MANAGER

(i) That the new Integrated Development Plan be approved by council

- (ii) That the Final Annual Budget be approved by council
- (iii) That a copy of the Final Annual Budget be submitted to National Treasury and Provincial Treasury
- (iv) That a copy of the draft IDP document be submitted to the office MEC for Co-operative Governance and Traditional Affairs for comments within 10 days of its adoption as stipulated by the legislation – section 32 (l) (a) of the Systems Act, 2000.
- (v) That the municipal organisational structure be approved by council
- (vi) That the Revenue Enhancement Strategy be revised with the following additions:
 - Combat illegal service connections
 - Improve debt collection
 - Introduce innovative means to improve affordability of services and municipal debt
 - Address water leaks
 - Rationalise current Service Level Agreements (i.e. Negotiate lower and affordable contract rates and involve local empowerment groups)
 - Implementation of strict cost curtailment measures as directed by Circular 82
- (vii) That the Final Tariff Structure be approved by council
- (viii) That the following Final Budget Related Policies be approved by council:
 - a. Assets management policy
 - b. Virement policy
 - c. Budget Policy
 - d. Investment policy
 - e. Creditors Payment policy
 - f. Out of pocket Reimbursement policy
 - g. Unauthorised Irregular fruitless and wasteful expenditure Policy
 - h. DRP Methodology
 - i. Change Management
 - j. Disaster Recovery
 - k. Acceptable use
 - l. Account Management
 - m. Anti Virus
 - n. Approved Software
 - o. Back up and Restore
 - p. Email Access
 - q. Email Security
 - r. Governance Framework
 - s. ICT Strategy
 - t. Information security
 - u. Internet Access
 - v. User Password
 - w. Supply Chain Management Policy
 - x. Credit Control and Debt Collection policy
 - y. Cash receipt and banking policy
 - z. Cashiers manual
 - aa. Indigent Policy



- bb. Tariffs Policy
- cc. Rates Policy
- dd. Customer Care and Revenue By-Law
- ee. Related Party Transactions Policy
- ff. Contingent Liability Policy
- gg. Supply Chain Management Policy
- hh. Performance Management Framework Policy

- (ix) That the Final Integrated Development Plan be approved by council
- (x) That a copy of the Final Integrated Development Plan be submitted to the office MEC for Co-operative Governance and Traditional Affairs for comments within 10 days of its adoption as stipulated by the legislation -- section 32 (I) (a) of the Systems Act, 2000.
- (xi) That the municipal organisational structure be approved by council

1.3 Executive Summary

In terms of section 16 (1) of the MFMA, the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.

Furthermore, Section 24(1) stipulates that the Municipal Council must at least 30 days before the start of the budget year consider approval of the annual budget.

Subsection (2) an annual budget –

(c) Must be approved together with the adoption of resolution as may be necessary-

- (i) Imposing any municipal tax for the budget year;
- (ii) Setting any municipal tariffs for the budget year;
- (iii) Approving measurable performance objectives for revenue from each source and for each vote in the budget;
- (iv) Approving any changes to the municipal intergraded development plan and;
- (v) Approving any changes to the municipal budget related policies.

The 2017 Budget Review emphasised that, while the global economic growth outlook has improved, it is clouded by the prevailing policy uncertainty due to the increasing pressure within the world trading system. These factors may jeopardise South Africa's prudent macroeconomic and fiscal policies, which include inflation targeting and a flexible exchange rate, the local economy's ability to adjust to global volatility and the stable investment platform.

GDP growth rate is forecasted to increase by 1.3 per cent in 2017 and to improve moderately over the medium term with to 2 per cent and 2.2 per cent in 2018 and 2019 respectively. This forecast is supported by marginally higher global growth, stabilising commodity prices, greater reliability of the electricity network, more favourable weather conditions, recovering business and consumer confidence, and improved labour relations. The positive trajectory marks a shift from several years of declining growth however; this is still not high enough to markedly reduce unemployment, poverty and inequality.

The unemployment rate was 26.5 per cent in the fourth quarter of 2016. In aggregate mining and manufacturing employment declined by 80 306 jobs in 2016 while the services sector created 119 189 jobs during the same period. The economy continues to create opportunities for semi-skilled and skilled workers, and to shed unskilled jobs, reinforcing poverty and inequality and widening the wage gap. These economic challenges will continue to pressurise municipal revenue generation and collection levels hence a conservative approach is advised for projecting revenue. Municipalities will have to improve their efforts to limit non-priority spending and to implement stringent cost-containment measures.

The following macro-economic forecasts must be considered when preparing the 2017/18 MTREF municipal budgets. Table 1: Macroeconomic performance and projections, 2015 - 2019 Fiscal year

	2016/17	2017/18	2018/19	2019/20	Estimate	Forecast
Consumer Price Inflation (CPI)	6.4%	6.4%	5.7%			
Real GDP growth	0.5%	1.3%	2.0%	2.2%		

Source: 2017 Budget Review. Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

Key focus areas for the 2017/18 budget process

Local government conditional grants and additional allocations The 2017 Budget Review provides for R366.3 billion to be transferred directly to local government and a further R23 billion allocated to indirect grants for the 2017 MTREF. Direct transfers to local government over the medium term account for 9.1 per cent of national government's non-interest expenditure. When adding indirect transfers, the total spending for local government increases to 9.7 per cent of national non-interest expenditure.

Direct transfers to local government grow at an average rate of 8 per cent per annum over the 2017 MTEF. This strong growth in transfers to local government recognises the importance of local government functions and associated rising costs of municipal service delivery. Similarly, minor reductions are made to the larger conditional grants so that funds are prioritised in favour of other government priorities. Grant administrators and municipalities are encouraged to maximise the value derived from spending so that service delivery is not compromised.

Conditional grant funding targets delivery of national government's service delivery priorities. It is imperative that municipalities understand and comply with the conditions stipulated in the Division of Revenue Act (DoRA) in order to access this funding. The equitable share and the sharing of the general fuel levy constitute additional unconditional funding, of which the equitable share is designed to fund the provision of free basic services to disadvantaged communities. Over time, these reforms will place the economy on a higher growth trajectory.

Thaba Chweu Municipality, as local government, has to align its priorities to be in line with that of the National government and introduce measures that speak to the commitments set out by National government to stimulate economic growth.

The Medium Term Strategic Framework (MTSF) priorities for structural reform over the period ahead include:

- **Building the capacity of local government through the "back to basics" approach** which will focus on improving service delivery, accountability and financial management. Local government should be effective and efficient; and this will be measured by its ability to perform the basic mandate of service delivery.
- **Reshaping urban environment through integrated spatial planning and an expansion of the municipal debt market.** Municipalities play a critical role in growing the economy through well-planned and well-managed urbanisation. In order to achieve this, large municipalities require massive investment to stimulate growth, maintain infrastructure and ensure that basic services are provided for growing populations. Over the next three years, the government will roll-out a new approach to local government infrastructure financing. Incentives will be introduced to encourage large urban municipalities to promote more compact, efficient and equitable cities.
- **Sustainable job creation** remains a national priority, the municipality has been allocated an amount of R 1.6 million particularly to participate in the Expanded Public Works Programme and to explore opportunities to mainstream labour intensive approaches to delivering services.

The cost containment measures as set out in MFMA Circular No.70 to ensure savings on the focus areas namely, consultancy fees, travel and related costs, advertising, catering and event costs as well as previous MFMA Circulars was adopted in compilation of this budget. With the municipality's limited financial resources and also taking into account the factors of the National budget review the 2016/17 annual budget has further prioritised funds to ensure key objectives are achieved and well-performing programmes are supported.

The main challenges experienced during the compilation of the 2017/18 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;

- Wage increases for municipal staff that continues to exceed consumer inflation, as well as the need to fill critical vacancies.

The budget-related policies were reviewed during the budget preparation process and the amendments to the budget-related policies are included in part two (2) of this budget document on 2.4 under the overview of budget related policies



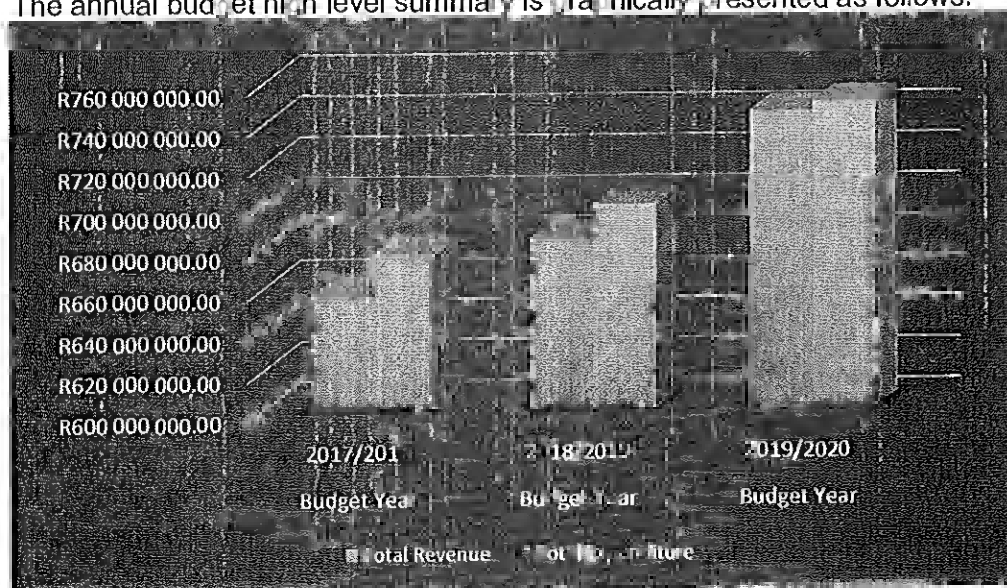
The following budget principles and guidelines directly informed the compilation of the 2017/18 MTREF:

- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the Division of Revenue Act;
- The annual budget herewith presented provides the appropriation of funds in the MTREF as follows:

Description	Approved Budget 2016/2017	Medium Term Budgetary Framework		
		Budget Year 2017/2018	Budget Year 2018/2019	Budget Year 2019/2020
R Thousand	R'000	R'000	R'000	R'000
Total Revenue	560 327	655 811	683 146	745 134
Total Expenditure	585 499	675 756	699 691	749 554
Surplus/(deficit)	-18 638	-19 844	-16 544	-4 419

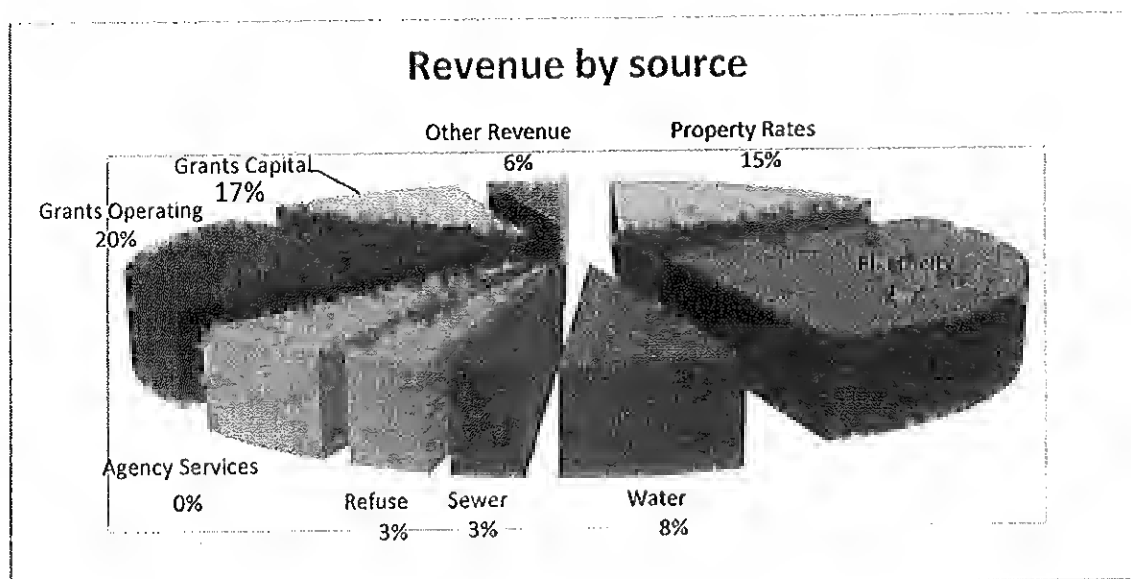
- ✓ Total operating revenue of R 655.8 million for 2017/18 financial year, R 683.1 million for 2018/19 financial year and R 745.1 million for 2019/20 financial year.
- ✓ Total operating expenditure of R 563.6 Million for the 2017/18 financial year, R 597.9 million for the 2018/19 financial year and R 624.1 million for the 2019/20 financial year.
- ✓ Total capital expenditure of R 112.7 million for the 2017/18 financial year, R 101.7million for the 2018/19 financial year and R 125.4 million for the 2019/20 financial year.

The annual budget high level summary is graphically presented as follows:





Where does the money come from?



The Municipality's ability to fund its operations is largely based on its ability to generate own revenue and services consumers paying for their services on a timely basis. Of the total revenue in 2017/2018, 63% (R 415, 2 million) will be funded from own internal revenue while 37% (R 240.6 million) will be funded through government grants.

Description	Amount
Property Rates	96 722 988
Electricity	186 343 961
Water	50 259 371
Sewer	17 787 624
Refuse	21 911 772
Grants Operating	128 447 000
Grants Capital	112 179 000
Other Revenue	42 159 546

The largest own revenue source is electricity sales at 28 % followed by property rates at 15%, water 8%, Sewer and refuse at 3%. Other revenue is made up of other non-service delivery related but important service charges such as fines, Interest and rental of facilities.

Service Charges

Property rates are another form of government tax levied on property ownership in terms of Local Government: Municipal Property rates Act 6 of 2004. Council has taken decision not to affect any increase in property rates for the 2017/2018 financial year, however the rebate has been reduced from 55% to 50%

Electricity increase is based on the National Energy Regulator of South Africa (NERSA). In terms of the multi-year price determination for Eskom's tariffs approved by the National Energy Regulator of South Africa, a tariff increase of 9.4 per cent has been approved for the 2017/18 financial year.

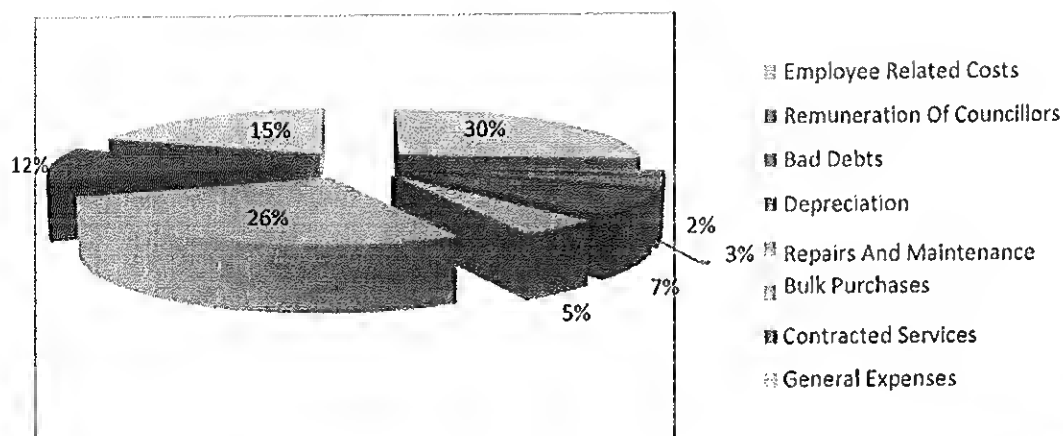
Water, refuse and sanitation are increased based on the consumer price index as guided by the National Treasury.



What is the money spent on?

The municipality has maintained a pro-poor orientation on public spending to improve social development through sustainable provision of basic services. A credible budget implementation plan to address challenges and achieve imperatives and goals as guided by the IDP had been set up.

Expenditure by source



Employee Related Costs	169 249 069
Remuneration Of Councillors	9 797 861
Bad Debts	14 804
Depreciation	38 128 440
Repairs And Maintenance	27 426 835
Bulk Purchases	147 955 473
Contracted Services	70 191 197
General Expenses	100 821 897

Employee related costs are averaged at the CPI + 1 per cent. The South African Local Government Bargaining Council entered into a three-year salary and wage collective agreement for a period 01 July 2015 to 30 June 2018. The agreement reached is as follows:

- 2015/16 financial year – 7 per cent
- 2016/17 financial year – average CPI + 1 per cent
- 2017/18 financial year – average CPI +1 per cent

Limits were set for the following items amongst others and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to non-priority expenditures

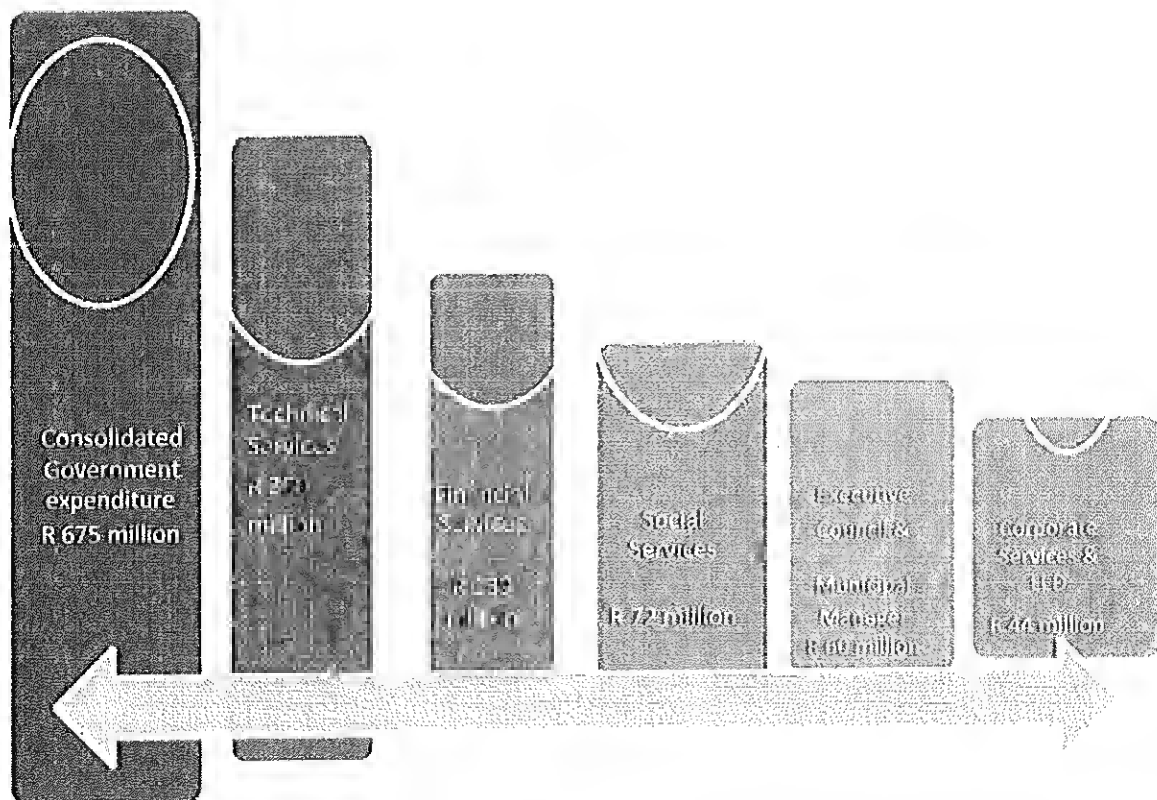


- Subsistence and travelling allowance
- Furniture and office Equipment
- Refreshments and entertainment
- Fuel
- Advertising and printing

The Municipality encourages business continuity and certain expenditure has to be maintained in line with the inflation rate to enable the institution to continue and provide basic services.

Bulk Purchases constitute 26% of the operating budget and employee costs 30%, repairs and maintenance constitute 5 % of the total operating budget. This is slightly below the norm of 6 % and above. Repairs and maintenance comprises of Network reticulation (electricity, water and sewer) and roads maintenance to the value of R 22 million.

Functional classification

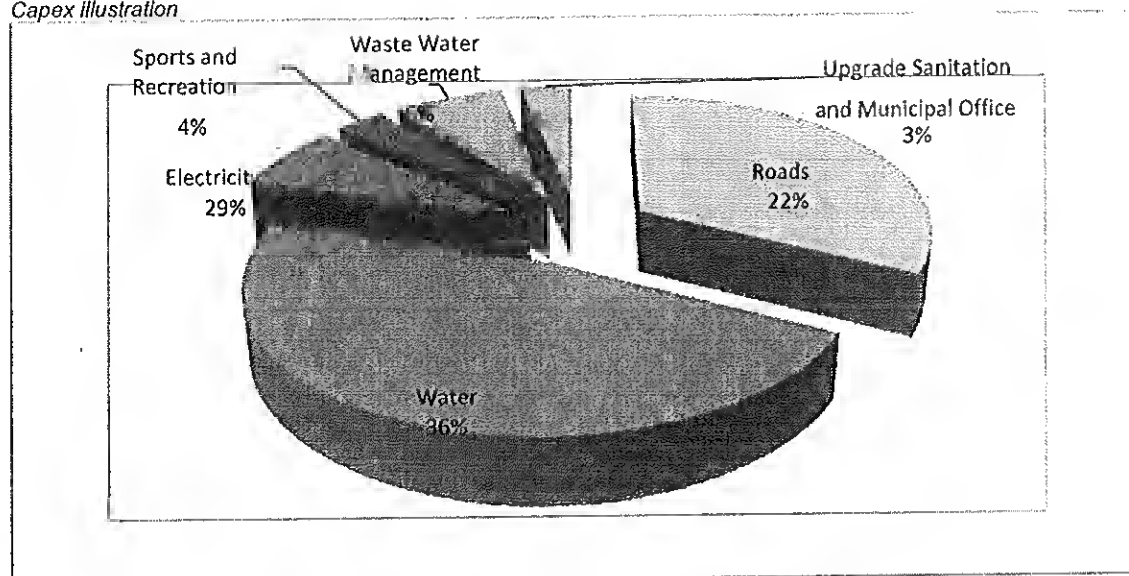


The above diagram illustrates the breakdown of the budget by department.

Capital Budget

The municipality's capital budget is important for implementation of new infrastructure projects to increase and improve access to basic services around the municipality. In the 2017/2018 financial year, the municipality has approved capital budget of R 112 170 044. This capital budget will implement a range of infrastructure from, roads, water, electricity, sanitation etc.

Capex Illustration



Roads	24 283 221
Water	42 103 000
Electricity	32 443 000
Sports and Recreation	4 440 000
Waste Water Management	6 900 000
Upgrade Sanitation and Municipal Office	2 000 000

- Electricity (MIG/MP117S/F/13/15; Simile Electrification; Installation Ring feed line Sabie
- Roads (ROADS GRAP 17;MIG/MP1428/RST/15/18; ROADS GRAP 17;MIG/MP1417/RST; ROADS GRAP 17;MIG/MP1420/RST; ROADS GRAP 17;MIG/MP1421/RST;)
- Water (MIG/MP138S/W/1S/17; REPLACEMENT OF AC PIPELINES; BULK WATER SUPPLY AUGMENTATION; MIG/MP1384/W/14/16; Mashishing upgrade and replacement of AC pipes; Beverly Hills reticulation of new settlement; Sabie bulk pipeline Ext 9; Sabie Installation of water link Ext10; Simile water reticulation; Harmony hill pipeline to reservoir.

The following are internally funded capex projects
 Upgrade sewer line (Mashishing)
 Construction and Refurbishment of Municipal Offices

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2016/2017 budget and MTERF as tabled in council.



Table A1 – Budget Summary

MP321 Thaba Chweu - Table A1 Consolidated Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousands										
Financial Performance										
Property rates	-	-	-	-	-	-	-	88 051	103 934	110 170
Service charges	-	-	-	-	-	-	-	269 800	290 059	314 100
Investment revenue	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational	-	-	-	-	-	-	-	-	-	-
Other own revenue	-	-	-	-	-	-	-	175 781	187 297	195 172
Total Revenue (excluding capital transfers and contributions)	-	-	-	-	-	-	-	543 632	581 290	619 442
Employee costs	-	-	-	-	-	-	-	169 249	181 125	189 206
Remuneration of councillors	-	-	-	-	-	-	-	9 798	10 333	10 888
Depreciation & asset impairment	-	-	-	-	-	-	-	38 128	40 302	42 559
Finance charges	-	-	-	-	-	-	-	7 200	7 610	8 037
Materials and bulk purchases	-	-	-	-	-	-	-	147 955	158 359	165 147
Transfers and grants	-	-	-	-	-	-	-	12 904	13 639	14 403
Other expenditure	-	-	-	-	-	-	-	290 522	290 290	319 312
Total Expenditure	-	-	-	-	-	-	-	675 755	699 689	749 552
Transfers and subsidies - capital (monetary allocation)	-	-	-	-	-	-	-	(132 123)	(118 399)	(130 110)
Contributions recognised - capital & contributed	-	-	-	-	-	-	-	112 179	101 858	125 692
Surplus/(Deficit) after capital transfers & contributions	-	-	-	-	-	-	-	(19 944)	(16 543)	(4 418)
Share of surplus/ (deficit) of associates	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	-	-	-	-	-	-	-	(19 944)	(16 543)	(4 418)
Capital expenditure & funds sources										
Capital expenditure	-	-	-	-	-	-	-	112 170	101 763	125 408
Transfers recognised - capital	-	-	-	-	-	-	-	109 770	99 313	122 958
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	2 400	2 450	2 450
Total sources of capital funds	-	-	-	-	-	-	-	112 170	101 763	125 408
Financial position										
Total current assets	-	-	-	-	-	-	-	310 537	346 049	402 122
Total non current assets	-	-	-	-	-	-	-	2 581 442	2 642 894	2 725 743
Total current liabilities	-	-	-	-	-	-	-	461 279	482 826	505 437
Total non current liabilities	-	-	-	-	-	-	-	30 719	33 484	35 158
Community wealth/Equity	-	-	-	-	-	-	-	2 399 982	2 472 632	2 587 271
Cash flows										
Net cash from (used) operating	-	-	-	-	-	-	-	92 226	85 221	120 991
Net cash from (used) investing	-	-	-	-	-	-	-	(112 170)	(101 763)	(125 408)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	-	-	-	-	-	-	-	24 766	8 224	3 807
Cash backing/surplus reconciliation										
Cash and investments available	-	-	-	-	-	-	-	31 117	21 347	24 015
Application of cash and investments	-	-	-	-	-	-	-	224 340	212 528	198 889
Balance - surplus (shortfall)	-	-	-	-	-	-	-	(193 224)	(191 182)	(172 874)
Asset management										
Asset register summary (MOV)	-	-	-	-	-	-	2 581 442	2 581 442	2 642 894	2 725 743
Depreciation	-	-	-	-	-	-	38 128	40 302	42 559	42 559
Renewal of Existing Assets	-	-	-	-	-	-	13 435	14 500	14 500	14 500
Repairs and Maintenance	-	-	-	-	-	-	27 427	27 427	30 021	22 997
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	6 503	6 503	6 892	7 306
Revenue cost of free services provided	-	-	-	-	-	-	4 358	4 356	4 617	4 894
Households below minimum service level										
Water:	-	-	-	-	-	-	2	2	2	2
Sanitation/sewerage:	-	-	-	-	-	-	1	1	1	1
Energy:	-	-	-	-	-	-	5	5	5	5
Refuse:	-	-	-	-	-	-	14	14	14	14



Explanatory notes to Table A1 – Budget Summary.

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts tabled to Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.



Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

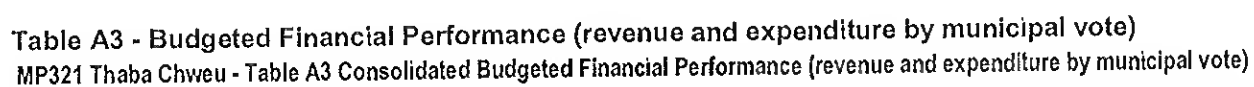
MP321 Thaba Chweu - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification)

Functional Classification Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1									
Revenue - Functional										
<i>Governance and administration</i>		-	-	-	-	-	-	266 978	283 966	297 639
Executive and council		-	-	-	-	-	-	126 302	134 724	142 744
Finance and administration		-	-	-	-	-	-	140 676	149 242	154 895
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	-	-	-	183	194	206
Community and social services		-	-	-	-	-	-	174	184	195
Sport and recreation		-	-	-	-	-	-	9	10	11
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	-	-	-	49 080	51 812	55 707
Planning and development		-	-	-	-	-	-	48 504	51 201	55 060
Road transport		-	-	-	-	-	-	576	610	647
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	339 551	347 154	391 561
Energy sources		-	-	-	-	-	-	205 607	209 016	238 088
Water management		-	-	-	-	-	-	95 333	93 363	106 554
Waste water management		-	-	-	-	-	-	16 488	17 488	18 538
Waste management		-	-	-	-	-	-	21 912	27 297	28 381
<i>Other</i>	4	-	-	-	-	-	-	9	10	10
Total Revenue - Functional	2	-	-	-	-	-	-	655 802	683 136	745 124
Expenditure - Functional										
<i>Governance and administration</i>		-	-	-	-	-	-	249 686	265 788	281 333
Executive and council		-	-	-	-	-	-	47 521	48 651	54 166
Finance and administration		-	-	-	-	-	-	188 674	202 878	212 084
Internal audit		-	-	-	-	-	-	13 493	14 249	16 093
<i>Community and public safety</i>		-	-	-	-	-	-	24 161	27 799	24 425
Community and social services		-	-	-	-	-	-	24 161	27 799	24 425
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	-	-	-	98 329	105 776	118 026
Planning and development		-	-	-	-	-	-	98 329	105 776	118 026
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	303 577	300 327	325 789
Energy sources		-	-	-	-	-	-	171 333	166 687	181 552
Water management		-	-	-	-	-	-	104 555	104 346	112 888
Waste water management		-	-	-	-	-	-	3 883	4 132	4 338
Waste management		-	-	-	-	-	-	23 806	25 163	26 991
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	-	-	-	-	-	-	675 765	699 690	749 554
Surplus/(Deficit) for the year		-	-	-	-	-	-	(19 954)	(16 554)	(4 430)



Explanatory notes to Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital)
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. The municipality is in process of reviewing its revenue enhancement strategy.



Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Expenditure Framework	
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year + 2018/19
R thousand									
Revenue by Vote	1								
1.1 - 0001 - Municipal Manager & MM Secretary		-	-	-	-	-	-	-	-
Vote 2 - Executive Council		-	-	-	-	-	-	126	-
Vote 3 - Finance Services Department		-	-	-	-	-	-	302	-
Vote 4 - Corporate Services Department		-	-	-	-	-	-	137	-
Vote 5 - Social Development Services Department		-	-	-	-	-	-	390	-
Vote 6 - Social Development Services Department		-	-	-	-	-	-	3 218	3 218
Vote 7 - Engineering Services		-	-	-	-	-	-	182	-
Vote 8 - Engineering Services		-	-	-	-	-	-	22 498	27 498
Vote 9 - LED		-	-	-	-	-	-	254	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	025	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	111	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	832	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	365	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-
Total Revenue by Vote	2	-	-	-	-	-	-	655	655
								811	811
Expenditure by Vote to be appropriated	1								
1.1 - 0001 - Municipal Manager & MM Secretary		-	-	-	-	-	-	28 897	30 897
Vote 2 - Executive Council		-	-	-	-	-	-	33 310	35 310
Vote 3 - Finance Services Department		-	-	-	-	-	-	139	-
Vote 4 - Corporate Services Department		-	-	-	-	-	-	352	-
Vote 5 - Social Development Services Department		-	-	-	-	-	-	35 116	37 116
Vote 6 - Social Development Services Department		-	-	-	-	-	-	15 158	18 158
Vote 7 - Engineering Services		-	-	-	-	-	-	58 559	61 559
Vote 8 - Engineering Services		-	-	-	-	-	-	247	-
Vote 9 - LED		-	-	-	-	-	-	396	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	108	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	527	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	9 441	10 441
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	-	-	-	-	-	-	675	699
								755	691
Surplus/(Deficit) for the year	2	-	-	-	-	-	-	(19 944)	(16 544)



Table A4 - Budgeted Financial Performance (revenue and expenditure)

MP321 Thaba Chweu - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1										
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	93 051	103 934	110 170
Service charges - electricity revenue	2	-	-	-	-	-	-	-	181 435	192 323	206 053
Service charges - water revenue	2	-	-	-	-	-	-	-	49 987	52 987	61 165
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	16 465	17 453	18 500
Service charges - refuse revenue	2	-	-	-	-	-	-	-	21 912	27 297	28 381
Service charges - other											
Rental of facilities and equipment											
Interest earned - external investments											
Interest earned - outstanding debtors											
Dividends received											
Fines, penalties and forfeits											
Licences and permits											
Agency services											
Transfers and subsidies											
Other revenue	2	-	-	-	-	-	-	-	175 781	187 297	195 172
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		-	-	-	-	-	-	-	543 632	581 230	619 442
Expenditure By Type											
Employee related costs	2	-	-	-	-	-	-	-	169 249	181 125	189 208
Remuneration of councillors									9 768	10 333	10 888
Debt impairment	3	-	-	-	-	-	-	-	15	16	17
Depreciation & asset impairment	2	-	-	-	-	-	-	-	38 726	40 302	42 000
Finance charges									7 200	7 610	8 037
Bulk purchases	2	-	-	-	-	-	-	-	147 955	158 359	165 147
Other materials	8	-	-	-	-	-	-	-			
Contracted services									70 191	68 451	71 395
Transfers and subsidies									12 904	13 639	14 403
Other expenditure	4, 5	-	-	-	-	-	-	-	220 316	221 814	247 900
Loss on disposal of PPE									-	-	-
Total Expenditure		-	-	-	-	-	-	-	675 755	699 689	749 559
Surplus/(Deficit)		-	-	-	-	-	-	-	(132 123)	(118 399)	(130 110)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)									112 179	101 850	125 692
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit institutions, Private Enterprises, Public Corporations, Higher Education)	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)									-	-	-
Surplus/(Deficit) after capital transfers & contributions		-	-	-	-	-	-	-	(19 944)	(16 543)	(4 418)
Taxation									(19 944)	(16 543)	(4 418)
Surplus/(Deficit) after taxation		-	-	-	-	-	-	-	(19 944)	(16 543)	(4 418)
Attributable to minorities									(19 944)	(16 543)	(4 418)
Surplus/(Deficit) attributable to municipality		-	-	-	-	-	-	-	(19 944)	(16 543)	(4 418)
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	(19 944)	(16 543)	(4 418)
Surplus/(Deficit) for the year		-	-	-	-	-	-	-	(19 944)	(16 543)	(4 418)



Table A6 -Budgeted Financial Position
MP321 Thaba Chweu - Table A6 Consolidated Budgeted Financial Position

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates									95 723	102 526	108 678
Service charges									276 355	297 006	321 465
Other revenue									22 911	24 268	20 125
Government - operating	1								123 447	137 124	145 264
Government - capital	1								112 179	101 856	125 692
Interest									19 156	20 348	23 910
Dividends									-	-	-
Payments											
Suppliers and employees									(543 482)	(576 676)	(601 704)
Finance charges									(7 200)	(7 610)	(8 037)
Transfers and Grants	1								(12 904)	(13 639)	(14 403)
NET CASH FLOW/(USED) OPERATING ACTIVITIES		-	-	-	-	-	-	-	92 226	85 221	120 991
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE									-	-	-
Decrease (increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Payments											
Capital assets									(112 170)	(101 763)	(125 408)
NET CASH FLOW/(USED) INVESTING ACTIVITIES		-	-	-	-	-	-	-	(112 170)	(101 763)	(125 408)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing									-	-	-
NET CASH FLOW/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		-	-	-	-	-	-	-	(19 944)	(16 542)	(4 417)
Cash/cash equivalents at the year begin:	2								44 710	24 766	8 224
Cash/cash equivalents at the year end:	2								24 766	8 224	3 807



Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.



Table A7 - Budgeted Cash Flow Statement
MP321 Thaba Chweu - Table A7 Consolidated Budgeted Cash Flows

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2016/17
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property rates									96 7
Service charges									276
Other revenue									355
Government - operating	1								22 5
Government - capital	1								128
Interest									447
Dividends									112
Payments									179
Suppliers and employees									19 1
Finance charges									(543)
Transfers and Grants	1								482
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	-	-	-	-	-	-	(7)
CASH FLOWS FROM INVESTING ACTIVITIES									200
Receipts									(12)
Proceeds on disposal of PPE									904
Decrease (increase) in non-current debtors									
Decrease (increase) other non-current receivables									
Decrease (increase) in non-current investments									
Payments									
Capital assets									(112)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	-	-	-	-	170
CASH FLOWS FROM FINANCING ACTIVITIES									(112)
Receipts									
Short term loans									
Borrowing long term/refinancing									
Increase (decrease) in consumer deposits									
Payments									
Repayment of borrowing									
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	
NET INCREASE/ (DECREASE) IN CASH HELD		-	-	-	-	-	-	-	(19 944)
Cash/cash equivalents at the year begin:	2	-	-	-	-	-	-	-	44 7
Cash/cash equivalents at the year end:	2	-	-	-	-	-	-	-	24 7

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

- 1. The budgeted cash flow statement shows the expected level of cash in-flow versus cash out-flows that is likely to result from the implementation of the budget.

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Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

MP321 Thaba Chweu - Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash and Investments available											
Cash/cash equivalents at the year end	1	-	-	-	-	-	-	-	24 766	8 224	3 807
Other current Investments > 90 days		-	-	-	-	-	-	-	6 351	13 123	20 208
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and Investments available:		-	-	-	-	-	-	-	31 117	21 347	24 015
Application of cash and Investments											
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	-	-	-	-	-	-	-	224 340	212 528	196 889
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term Investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and Investments:		-	-	-	-	-	-	-	224 340	212 528	196 889
Surplus(shortfall)		-	-	-	-	-	-	-	(193 224)	(191 182)	(172 874)

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".





Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Executive Mayor.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required budget time table.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

The IDP has been taken into a business and financial planning process leading up to the 2017/18 MTREF, based on the approved 2016/17 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/18 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2016/17 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.



2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2017/18 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2017/18 MTREF:

- Municipal growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e Inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2016/17 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars has been taken into consideration in the planning and prioritisation process.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the



key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal Integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The 2017/18 MTREF has therefore been directly informed by the IDP revision process and tables SA4 to table SA6 provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure

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